Testimony of Ambassador Charlene Barshefsky
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Thank you, Mr. Chairman and Members of the Committee. I am pleased to appear before you today.

I appreciate this opportunity to set forth the Administration's views on the direction of trade policy. When I entered the field of international trade twenty two years ago, trade was really the province of a relatively few academics, trade technicians, and a handful of interested members of Congress. Those days are long past. As trade becomes more central to our economic health and security, it has also gained importance in the views of virtually all members of Congress and the lives of everyday people across this nation. This Administration, and any future Administration, bears the responsibility of explaining our trade policy clearly and building broad political support for it.

Trade and Domestic Prosperity

We should begin by recognizing that our economy is the strongest in the world; that expanded trade has played an important role in building that strength; and that no country in the world is better positioned to take advantage of the enormous opportunities presented by a growing global economy. In fact, we are at a unique moment and we need to seize it now.

Never before have the benefits of trade for Americans been so deep, so diverse, so widespread, and so sustainable. More than 11 million Americans now work in jobs supported by exports; these jobs pay 13%-16% above the national average wage. Those jobs represent the leading edge of the current economic expansion, now in its sixth year, and they cover the spectrum from agriculture to high tech, small businesses to multinationals, blue collar to white collar, and small-town Main Street to Wall Street. Exports have increased dramatically across the country, with 47 of 50 states registering significant export growth over the last 4 years. Exports from California are up 45%, Michigan 68%, Illinois 64%, Ohio, 42%, Texas 40%, Nebraska 54%, North Dakota 76%, Montana 52%. Exports from Florida, Rhode Island, Louisiana, and West Virginia have increased more than 30%. States from New York to Utah also have posted double digit increases.

Export-driven growth is one of the reasons that the American economy today is strong and sound. Over the past four years, we have created nearly 12 million new jobs. Unemployment is at its lowest level in 24 years standing at 4.9% in April. Inflation is down to a low of 2.5% for the period ended April 1997. At the same time, family incomes are up significantly; home ownership has hit a 15-year high; growth of our industrial capacity is at its highest level since 1970; business investment has been stronger than at any time since the 1960s. Our current economic expansion has been investment-led, which establishes a firm footing for an even greater climb.

The best way to continue this prosperity is to give our workers and businesses a full and fair chance to tap into the global economy. If the momentum of the American economy begins to stall, the world economy can help it recharge. America's growth in trade has been faster than its overall economic growth for years. Our exports increased by more than $49 billion last year alone; an increase of more than 6 percent. Exports are at record levels across the board. Since 1992, manufactured exports increased 42%; high-tech exports were up 45%; agricultural exports were up 40%, and services exports increased by 26%.

Since the beginning of this Administration, exports have accounted for fully one-fourth of the increase in our GDP. Today, the value of trade (exports plus imports plus investment earnings) totals 30% of the value of GDP, up from 13% in 1970. Increases in GDP combined with a 70% reduction in the federal budget deficit over the last four years, and the balanced budget agreement recently announced, lay the foundation for continued economic expansion, but only if we continue to use all the tools necessary to compete in and shape the global economy.

The Trade Record

Trade policy has contributed significantly to the economic strength of our country today. From the early weeks of the Administration, the President made it clear that we would compete, not retreat behind walls. We would not accept the status quo whereby too often our trading partners took advantage of our open market while maintaining closed markets at home. We have relentlessly pursued an agenda of opening foreign markets, and breaking down foreign market barriers.

We committed to work for a system where trade would be reciprocal; where all trade nations, developed and developing, would adhere to the same set of basic rules. We have made important strides in that regard with the creation of the WTO and elsewhere. We have not yet fully leveled the playing field for U.S. companies, workers and farmers, but we have clearly made progress. The world is generally more open to U.S. exports than it was when the President took office, and far more open than when Congress, on a bipartisan basis, passed the landmark 1988 Trade Act which gave us and our predecessors the clear direction and the tools to open markets around the world.

This Administration has negotiated over 200 trade agreements, all designed to advance our economic and trade interests. In the past four and one-half years:

- We completed the Uruguay Round, the largest trade agreement in world history, which will add $100-200 billion to GDP annually when fully implemented.

- We completed the NAFTA, which increased our exports to Mexico, and kept Mexican markets open despite the worst economic crisis in Mexican modern history.

- We worked tirelessly to break down market access barriers in Japan, which have presented one of the central trade challenges for the past twenty years, reaching 24 agreements and increasing our exports 43% in four years (with exports covered by these agreements growing roughly twice as fast).

- We led the world in setting tougher standards for trade with China: battling to open a highly protected market, negotiating landmark agreements in intellectual property and textiles, and insisting that China's accession to the WTO occur only on commercially meaningful terms.

- We breathed new life into APEC, starting with the President's leadership in 1993, spelling out a long term vision for free and fair trade, making progress more concrete year by year, culminating with the key role played by APEC in completing the Information Technology Agreement (ITA), and anchoring our country more firmly in the fastest growing region of the world. APEC provides a platform for continued progress.

- We have led the multilateral effort in this hemisphere to build the Free Trade Area of the Americas (FTAA) by 2005, with concrete progress by 2000, deepening our commitment to our own hemisphere, recognizing the extraordinary progress of open markets and democracy throughout the region. Formal negotiations are to commence in March 1998.

- We initiated the creation of the U.S.- EU Transatlantic Marketplace, recognizing that the EU represents our largest export market for goods and services. We have been working closely with the private sector, including the Transatlantic Business Dialogue, to improve market access.

- We took the lead in combating bribery and corruption in government procurement. Our success is evidenced by the recent agreement by OECD member governments to submit to their legislatures concrete proposals to criminalize foreign commercial bribery, with a view to enacting such laws by the end of 1998.

- We took the lead insisting on the respect for core labor standards, and in pursuing the agenda to make trade and environmental policies mutually supportive.

- We have vigorously enforced our trade laws and agreements using every tool possible and making it clear that agreements, if not implemented by our trading partners, will be enforced. In the past four years we have brought 48 trade enforcement actions. We have filed 30 cases to enforce U.S. rights under the new dispute settlement procedures of the WTO, having filed 24 of those in the last 18 months. We have also used the monitoring of trade agreement provisions in Section 301 to secure effective Chinese compliance with our agreement on enforcement of its intellectual property rights protection laws.

- Over the past several months, we have completed the Information Technology Agreement (ITA) and the Agreement on Basic Telecommunications---two far-reaching multilateral agreements reducing trade barriers around the world for our high technology industries. The information technology market is a $500 billion market, in which the United States is the largest single exporter. The ITA covers more than 93% of global trade in information technology products and includes 42 countries. Under the agreement, global tariffs will be reduced to zero on all goods associated with the information superhighway -- such products as semiconductors, computers, telecommunications equipment and software. These industries support 1.5 million manufacturing jobs and 1.8 million related service jobs. This agreement amounts to a global tax cut of $5 billion annually.

- The telecommunications agreement ensures that U.S. companies can compete against and invest in all existing carriers. Before this agreement, only 17 percent of the top 20 telecom markets were open to U.S. companies; now they have access to nearly 100 percent of these markets. Our international long distance industry will gain access to serve markets accounting for over 95% of global revenue in Europe, Asia, Latin American and Africa, gaining the right to use their own facilities and to work directly with their customers everywhere their customers go. The agreement also offers important opportunities for American investors and entrepreneurs who will be able to acquire, establish or hold a significant stake in telecom companies around world. Telecommunications is a $600 billion industry; under the agreement revenues are expected to double or even triple over the next ten years. We expect the agreement will lead to the creation of approximately one million U.S. jobs in the next ten years -- not only in communications companies but also in high-tech equipment makers and in a range of industries such as software, information services, and electronic publishing that benefit from telecom development. This agreement will also save billions of dollars for American consumers. We estimate that the average cost of international phone calls will drop by 80% -- from $1 per minute on average to 20 cents per minute over the next several years.

None of this is to suggest that we don't face challenges and continuing problems. Many markets around the world remain closed to our exports and, to the extent our trade deficit is the result of these barriers, particularly on a bilateral basis, they must be reduced. Far too many Americans are left behind in the current economic expansion, without the skills or education to benefit from the increased opportunities. Neither government nor the private sector should rest while that is the case. And I recognize that for those Americans who have lost jobs because of trade or technological change or corporate downsizing, it is cold comfort that the overall picture is positive.

In considering the direction of future trade policy, however, we need to be mindful that our economy is stronger than it was four years ago, and far stronger than it was ten years ago. None of us should be complacent, but our country's economic success is no accident. We put our government's market opening efforts behind our companies, workers and farmers at precisely the time when they were at their most competitive. After years of doubt and soul-searching about our country's ability to compete, we have together succeeded in defining a distinctively American partnership to succeed in a tough global economy. As we consider what comes next, we can take pride, for a moment, in what we, together, have accomplished.

A Moment of Choice; The Dangers of Inaction

But only for a moment. This is not the time for resting on our laurels. As we contemplate the next three and one-half years in trade, we face a very clear choice.

We can recognize that the American economy is the model for the world, and continue to open foreign markets and seize the initiative when it comes to international competition. We can recognize the extraordinary opportunities presented by the growing global economy, in which developing nations, which want and need the full range of our manufactured goods, services and agricultural products, are poised to fuel continued global growth.

At the same time, we would face up to problems as we identify them together: working to put in place education, training and adjustment policies needed to help those who are not benefitting from the new economy; advancing core labor standards and protecting the environment. But we would be starting from the proposition that we have been basically on the right track, and we should stay fully engaged, using all our tools, taking advantage of opportunities that present themselves as we did when we saw the chance to reach an ITA.

Or, we can convince ourselves, against the evidence, that we are on the wrong track. We can choose our course guided by a skewed vision of economic decline and disinvestment that bears no resemblance to what is happening in our country. Our competitors would like nothing better than for us to sideline ourselves, debating NAFTA and our relationship with Mexico for years to come while they move ahead. Inaction would be a serious, self-inflicted wound.

America is poised to seize great opportunities. Our competitors cannot beat us; we can only lose by removing ourselves. We can, in short, lose our momentum, abdicate our position of strength, either permit markets to stay closed, or let others seize the initiative from us and gain preferential treatment. The choice is that clear.

The choice is also very real. With all we have accomplished in the past four and one-half years, the world has continued to change in ways that are critically important to understand. We must recognize the dangers of inaction. In every region of the world, but particularly Asia and Latin America, the two fastest growing regions of the world, governments are pursuing strategic trade policies and, in some cases, preferential trade arrangements, forming relations around us, rather than with us, and creating new exclusive trade alliances to the potential detriment of U.S. prosperity and leadership.

- Examples already abound:

In South Asia, the seven members of the South Asian Association for Regional Cooperation (SARC) -- India, Pakistan, Bangladesh, Nepal, Bhutan, Sri Lanka, and the Maldives -- just announced that they were accelerating their target date for the creation of a free trade area, setting a deadline of 2001. SARC now represents only about 1 percent of world trade, but it encompasses roughly 20 percent of the world's population. Indifference to its development can only harm our economic security.

Canada, as you know, has already negotiated a trade pact with Chile and has started discussions with MERCOSUR.

The Presidents of Argentina and Brazil have both expressed an interest in a MERCOSUR-ASEAN free trade agreement, a trade alliance that would incorporate more than 600 million people and two of the most important emerging markets in the world. We simply cannot underestimate the impact of these efforts on our global export competitiveness.

In addition:

- MERCOSUR (Argentina, Brazil, Paraguay, Uruguay) is a developing customs union with a GDP of over $1 trillion and ambitions to expand to all of South America. MERCOSUR is the largest economy in Latin America and has a population of 200 million. It has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela) as well as countries within the Caribbean Basin. Recent reports indicate that Venezuela may become an associate member of MERCOSUR by the end of 1998. The MERCOSUR ambition is in part driven by the decades old vision of a Latin American free trade area, but also by a clear strategic objective regarding commercial expansion and a stronger position in world affairs.

- The EU has begun a process aimed at reaching a free trade agreement with MERCOSUR. They have also concluded a framework agreement with Chile that is set up to lead to a free trade agreement.

- China has targeted Mexico, Argentina, Brazil, Chile and Venezuela as "strategic priorities" in Latin America. China wants to enhance commercial ties and ensure that key Latin countries are receptive to its broader global agenda as a rising power, both in the WTO and other fora. The Chinese leadership has undertaken an unprecedented number of trips to Latin America in the last two years, and Latin America is its second fastest growing export market.

- Japan has undertaken high level efforts throughout Asia and Latin America to enhance commercial ties through investment and financial initiatives. The Prime Minister of Japan recently visited Latin America seeking closer commercial ties and a greater Japanese commercial presence in all respects.

- ASEAN -- the Southeast Asian free trade area -- will include 400 million people and some of the fastest growing economies in the world. It is a region where China, Japan, Korea and the EU are focusing competitive energies. As noted earlier, Argentina's President Menem recently suggested a MERCOSUR -ASEAN free trade area -- an agreement that would encompass over 600 million people.

- The EU has concluded association agreements with countries in Eastern Europe that provide tariff preferences for EU products. For example, EU preferences for Poland and Hungary's pork and poultry allow these countries to gain better access than U.S. exporters. Likewise, U.S. exporters of agricultural equipment and mining equipment have complained that their sales into Central Europe have been adversely affected.

- Countries within this hemisphere are equally aggressive. Mexico wants to be the commercial hub between North and South America, and also serve as a venue in which to enter North, Central and South America from Asia and Europe. It is jointly pursuing a free trade area with Europe and is reaching out to Asia. President Zedillo and his Cabinet have undertaken numerous missions to Asia and have been well received. It has reached trade agreements with Colombia, Venezuela, and Costa Rica and is negotiating with Honduras, El Salvador and Nicaragua. It has initiated talks with MERCOSUR.

- Chile has a similar strategy. It has concluded agreements with MERCOSUR, Mexico, Colombia, Venezuela and Ecuador. It intends to start similar negotiations with Central America and has an eye toward agreements with Asia. Japan is its largest export market, but Chile sees itself as a bridge from MERCOSUR to Asia and back, and is positioning itself with its MERCOSUR neighbors for that purpose.

- In the Asia-Pacific region, competition comes from many sources, all of which have contributed to a declining share of U.S. exports to the region. Competition within Asia is the most intense. Japan has been ahead of the U.S. in East Asia in terms of corporate presence, and especially in the past decade, in terms of the amount of overseas development assistance (ODA) it is willing to spend. In more recent years, Korean conglomerates have likewise pursued an aggressive strategy to both invest and attain market share in dynamic East Asian economies, ranging from textiles to steel to autos.

- In Africa, where economic growth rates are up, Malaysia, Korea, Thailand and others are increasing their efforts to reap commercial benefits from this increased growth, and of course Africa's traditional trading partners in Europe are seeking to maintain their position.

Ninety five percent of the world's consumers live outside our boundaries, and 85 percent of them reside in developing countries. These are the large growth regions. Last year, the developing world imported over $1 trillion in manufactured goods from the industrialized countries, and this is the tip of the iceberg. The infrastructure needs alone of the developing world are estimated to be enormous. For example, in just 8 of the large developing countries, traditional infrastructure needs (telecommunications, power, transportation and petroleum infrastructure) are estimated to be over $1.6 trillion.

Our ability to create jobs and sustain our living standard in the next century will depend, in no small part, on how successful we are, relative to our competitors, in embracing the trade opportunities offered by these emerging markets. We should not be indifferent to currents that can be identified simply by reading the newspapers. In my view, we have all the talents needed to compete successfully, but our competitors are determined, sophisticated, strategic and focussed. Many U.S. firms are already seeing evidence that their competitors are engaged in an intensive effort to rework the rules of these dynamic marketplaces to their advantage.

A recent example illustrates the dangers. In November 1996 Canada reached a comprehensive trade agreement with Chile that will eliminate Chile's 11% across-the-board tariff starting this year.

We have done much to level the playing field in the past four years, but in this case, we are sitting on the sidelines, spotting Canadian competitors an 11% price advantage every time we compete in the Chilean market. We will suffer that handicap again and again, in country after country, if we do not stay in the game of opening markets for our companies and workers. Looking at this sobering pattern, we need to reaffirm the commitment of the President in 1993, to "compete, not retreat."

Our Global Trading Agenda

Our trade policy must be driven by two factors: our emphasis on building prosperity at home through the expansion of our export and trade opportunities built on a strong foundation of reciprocity as we proceed; and ensuring we are strategically well positioned in the world to advance our economic, trade and broader interests, including regional stability, through a growing number of enduring trade arrangements, particularly where those arrangements put us at the center of activity. The principle underlying our trade policy must be to support U.S. prosperity, U.S. jobs and the health of U.S. companies. The outgrowth of that policy is continued U.S. leadership as the world's indispensable nation transmitting the values of democracy, market economics, human rights and the rule of law.

Given the evidence of concerted efforts by our competitors to improve their position around the world, and the potential erosion of U.S. leadership, we need to respond with our most effective and strategically powerful trade policy. We need to position ourselves as the most important player in the global constellation of trade activity now and into the future. We need to be positioned to play a catalytic role in all key regions of the world. We must utilize the full range of our tools of leverage on the trade front while at the same time continue to enforce our trade laws and agreements vigorously. Our long-term economic security depends on our resolve.

There are some who believe that simply opening markets on a global scale is the be-all-and-end-all, no matter how it is done or no matter who benefits. I subscribe to a different view. It is imperative that we open markets in a manner consistent with the rules of the WTO, but we must make sure Americans benefit directly from this process, and to do that Americans must drive the rules of the new global landscape and the opening of markets. There is simply no other way to protect our jobs, our vital trading interests or our global leadership on trade.

The Administration believes we should keep on opening foreign markets, and breaking down foreign trade barriers. We believe in this for our own export performance, for our own jobs and for own prosperity at home. The ITA and the telecommunications agreement provide vivid evidence of how our country can benefit from important sectoral agreements. We will continue to use the multilateral system, and have provided recent evidence of just how much can be accomplished multilaterally. At the same time, we cannot fully confront the competitive challenges we face or open the major emerging markets around the world without an aggressive, reciprocity-based push on all fronts.

Multilateral Efforts

Within the next three and one-half years, major WTO negotiations will occur in a number of areas where the United States is a top global competitor; of particular note, agriculture, services, and the rules for intellectual property rights. This year we have also resumed WTO negotiations on financial services, a sector where U.S. companies excel. These are the very goods and services that the fastest growing economies need most, and in which America does best. American workers, farmers, engineers and manufacturers will increasingly be just within reach of new markets that are measured in billions of dollars, but they will never get a secure hand on them if the United States cannot negotiate from a position of unequivocal strength, as it should.

Negotiations to further open the $526 billion global agriculture market are to be initiated in 1999. While the Uruguay Round reduced some of the most difficult barriers to agricultural trade, helping us to attain a record level of agricultural exports in 1996, our work is far from done. Removing agricultural barriers wherever they exist is one of our highest priorities of the next four years, so follow-on negotiations in the WTO are extremely important.

Services negotiations will expand this $1.2 trillion global market -- where U.S. firms exported more than $220 billion in 1996 with a surplus of $73 billion. The trade related intellectual property rights (TRIPs) agreement which protects, for example, the interests of fast-growing U.S. copyright industries exporting over $400 billion a year, is to be reviewed as well. We must do everything possible to expand opportunities for such vibrant industries.

In the financial services negotiations, we are committed to achieving a meaningful and comprehensive agreement by the end of the year. Earlier efforts to reach agreement were not successful due to inadequate offers by key countries. To successfully conclude these negotiations this year, our trading partners must significantly improve their commitments based on the GATS principles of market access, national treatment and MFN. With the precedent that has now been established in the telecommunications agreement, unless we see significantly improved offers in the financial services talks, we will continue our MFN exception.

The work this year to improve and expand the coverage of WTO rules on government procurement can facilitate U.S. efforts to improve our access to the lucrative infrastructure projects now planned or under way in the rapidly growing regions of the world. We estimate that Asia alone will provide opportunities for up to $1 trillion in business for such projects over the next decade.

The “built-in agenda” from the Uruguay Round provides further critical opportunities to open foreign markets. In a world trading environment increasingly less characterized by traditional tariff barriers, the built-in agenda is in many respects aimed at clearing away the impediments left by non-tariff barriers -- be they deliberate or the unintended consequence of bureaucracy and inefficiency.

The U.S. has pursued a consistent strategy to ensure that the WTO is a forum for continuous negotiation and liberalization. That strategy and U.S. leadership resulted in the commitment to review and opportunity to improve agreements covering such areas as the rules governing technical barriers to trade, sanitary and phytosanitary measures, customs valuation and pre-shipment inspection and import licensing procedures. Continued leadership is essential if we are to dismantle barriers in these and other areas as we confront them, rather than waiting for a "new Round" as some of our trading partners would prefer.

We also have a full agenda of accession negotiations regarding the WTO. As always, we are setting high standards for accession in terms of market access and adherence to the rule of law. Accessions offer an opportunity to help ground new economies in the rules-based trading system and promote sustainable development including environmental protection. The Administration believes that it is in our interest that China become a member of the WTO; however, we have been steadfast in leading the effort to insure that China's accession to the WTO will occur only on commercial, rather than political, grounds. The pace of China's accession negotiations depends very much on Beijing's willingness to improve its offers.

While China's accession has attracted far more attention, the United States takes every opportunity to pursue American interests with the 28 applicants that are now seeking WTO membership, and to give leadership to the process. Russia's WTO accession could play a crucial part in confirming and assuring Russia's transition to a market economy, governed by the rule of law. Discussions so far on Russia's accession, while still at an early stage, have been quite positive and we look for more progress. We also are interested in the prospects for the accession of many of the former Soviet Republics, the Baltic States, Taiwan, Saudi Arabia and others.

Within the Organization for Economic Cooperation and Development, we are in active negotiations over the Multilateral Agreement on Investment to ensure high levels of investment protection and liberalization among OECD countries and with non-OECD countries who will be encouraged to participate. In both this forum and the WTO, we are also actively engaged in efforts to address bribery and corruption, competition policy and transparency in government procurement. As noted above, we have made real progress in moving our OECD partners to criminalize foreign commercial bribery, as we do. Bribery distorts trade and puts American companies at a substantial disadvantage.

Sectoral Efforts

Sectoral initiatives have succeeded to ensure that U.S. industries that are global competitive leaders will enjoy export success commensurate with their competitive position. Such initiatives are designed so that all those that compete in a particular sector compete on a reciprocal basis.

They can revive and maintain the momentum of trade liberalization in cases where more comprehensive efforts might falter.

The recent ITA and telecom agreements discussed earlier demonstrate the opportunities such market access initiatives provide for American companies, workers and consumers. We should build on these recent successes, and the commitments we have now obtained from key trading partners to maintain the momentum.

Specifically, the Information Technology Agreement has set a new standard such that the 18 economies of the Asia-Pacific Economic Cooperation forum (APEC) agreed last month in Montreal to explore other sectors for similar market opening treatment. The APEC Ministers also agreed to follow up the ITA by pursuing an "ITA II" trade agreement, which would go beyond tariffs to encompass non-tariff trade barriers, increased product scope and broadened country participation. Our Quad partners have concurred in the goal of negotiating an ITA II.

With respect to the non-IT sectors, the APEC Ministers established an expedited process for launching new market-opening initiatives. Specifically, the APEC countries will each propose sectors for market access initiatives that will be developed by trade officials this summer and presented by the Trade Ministers for Leaders' consideration in November. These initiatives may encompass goods as well as services, and cover tariff and non-tariff measures.

As we move forward to identify specific initiatives, we are looking broadly at sectors where the U.S. can capitalize further on its global competitive advantage if market access barriers are reduced. We are working closely with U.S. industry to identify such sectors. Among those that may be included for such market access initiatives are environmental products and services, health care products and services and global electronic commerce.

Regional Efforts

The Latin American and the Caribbean market was the fastest growing for U.S. goods exports in 1996; our exports grew by more than 14 percent, reaching $109 billion. That growth rate is more than twice the rate of U.S. exports to the rest of the world. If these trends continue, Latin America will exceed the EU as a destination for U.S. exports by the end of next year, and we have only begun to see the potential of this huge emerging economic region. Its potential as a source of growth for U.S. exports can be seen in the case of Chile: a country of less than 14 million people, but to which we exported more last year than we did to nations such as India, Indonesia, or Russia.

Latin America is the second fastest growing region in the world, having transformed itself over the last decade in a manner unnoticed by some, but with profound positive implications for the United States. It is already the developing region with the highest per capita consumption of U.S. imports of any region in the world, and it has only begun to generate its full capacity to absorb imports. The Administration recognizes the enormous opportunity to build on this historic transformation. Mexico, for example, is already on the verge of replacing Japan as our second largest export market; in fact, in October of last year, Mexico did exceed Japan in purchases of U.S. exports. This, in spite of the worst economic downturn in modern Mexican history during late 1994 and most of 1995.

As indicated, at the recent FTAA ministerial meeting in Belo Horizonte, Brazil, the Trade Ministers of the participating nations agreed that FTAA negotiations should be launched at the Santiago Summit of the Americas in March 1998. To this end, the Trade Ministers established a formal Preparatory Committee which will take all the necessary steps to prepare for comprehensive negotiations early next year addressing a full range of issues from tariff reductions to agriculture to structural issues such as IPR and government procurement.

A comprehensive trade agreement with Chile is our first step in the FTAA process. It will be viewed as a bellwether for our plans in the region. Chile is symbolic of both the opportunities in the region and the region's rising strategic significance to our longer-term economic interests. U.S. exports to Chile are up 148 percent since 1990. Chile is a leading reformer in Latin America. Without fast track, the United States will not be positioned to conclude an agreement with Chile, and the longer our promise remains unfulfilled, the more likely that Chile and many countries in our hemisphere will form alternative alliances in place of the U.S.

At the same time, and with the aim of building the FTAA, the Administration remains committed to Caribbean Basin Trade Enhancement and will be working with the Congress on legislation to accomplish this objective. We believe it is important to provide the countries of this vital region with strong incentives and the most effective tools possible to be full participants in the FTAA effort.

The Asia Pacific region is enormous in its scope and has major implications for the future of the United States in many ways. It contains the fastest growing economies in the world, largely emerging economies with a total population nearing 3 billion people. Within the Asia Pacific Economic Cooperation (APEC) forum, reaching the goal of open markets would increase U.S. goods exports significantly. In addition, as a step towards the ultimate APEC goal, market-opening agreements with key economies (or key sectors) of the Asian Pacific rim would provide U.S. exporters with a strategic advantage over U.S. competitors in the region. It would also provide the United States with a strong economic anchor in Asia, a key step in further cementing U.S.-Asian ties and U.S. opportunity.

With Europe, our focus will be on non-tariff barriers which continue to impede transatlantic commerce, most particularly regulatory barriers and a variety of agricultural impediments. Approximately half of our $126 billion of merchandise exports to the EU require some form of EU certification in addition to U.S. requirements. Excessive testing and certification procedures increase the base cost of exports. Large segments of our business community strongly support our current negotiations to complete Mutual Recognition Agreements (MRAs) to eliminate excessive testing between the United States and the EU. The areas under discussion include telecommunications, electronics, medical devices, pharmaceuticals and recreational craft. As a result of recent high-level negotiations, I believe that we are within days of finalizing an MRA package. At the same time, we will be steadfast in our bilateral discussions and in the WTO to convince the EU to honor its commitments to U.S. agriculture. We recognize this is a major priority of the agricultural sector and it is a major priority of this Administration.

Africa is a region rich in resources and potential. Most importantly, a number of countries have instituted economic and trade reform programs as well as undertaken political reforms. These programs are beginning to bear fruit and have led to higher growth rates. Overall GDP grown in Africa was 5.6 percent in 1996 compared to 1.4 percent in the 1991-1994 period. The President has approved a new initiative to encourage U.S. increased trade and investment with Sub-Sahara Africa. The initiative seeks to support and encourage these reform efforts.

We attach particular importance to the extent to which countries have made substantial progress towards reducing tariff levels, binding their tariffs in the WTO and assuming meaningful binding obligations in areas of trade such as services, and in eliminating non-tariff barriers. As part of this initiative we intend to engage in a much more intensive dialogue than in the past on trade and investment matters with those countries in Africa that are undertaking reforms.

As you know, the Congress has played an important role in helping to focus on the need for a new approach to trade with Africa and legislation has been introduce in both the Senate and House that addresses that need. The Administration enthusiastically endorses the basis approach of that legislation and looks forward to working with the Congress to develop it and a program that allows our trade relations with Africa to enhance broad economic reform and accelerated growth on the continent.

Bilateral agreements

We recognize that certain problems can only be addressed effectively, and with a degree of specificity necessary, on a bilateral basis. Thus, we will continue to be engaged in bilateral market opening efforts with virtually every country in which we have a trading relationship: from Japan on telecommunications, photographic film, paper and other issues, to Canada on copyright protection, to Argentina on patents, to Korea on autos -- the list is lengthy and significant. There should be no misunderstanding. Now, as in the past, market access in many cases will only occur through intense bilateral efforts. This includes the intense scrutiny necessary under our enforcement capacity.

The Importance of Fast Track Authority

We can pursue portions of our agenda with our existing tools. But, to seize the opportunities in the global economy and to fully meet the competition, the President needs a new grant of trade agreement implementing authority, or fast track. Fast track is a key component of our trade arsenal. The President will seek a new grant of authority to implement global, sectoral and regional trade agreements -- fast track authority. In consultation with the Senate and House leadership, we have determined that proceeding with fast track legislation in September provides the best opportunity for proper consideration and passage of this legislation by year end. Between now and September, we will work with Congress towards developing legislation that will allow us to continue our important agenda.

Clearly, this should not be a matter of party or politics. Every President since President Ford has had fast track authority for key periods. For over 60 years, reacting to the lessons of the Smoot-Hawley tariff, America has led the effort to open foreign markets and increase U.S. and global prosperity. When the GATT was first formed in 1947, global tariffs averaged 40 percent among industrial nations. Today -- after decades of bipartisan American leadership -- global tariffs are closer to 5 percent and still declining with the Uruguay Round phase-in, and we have set the rules for bringing down many non-tariff barriers. That persistent market opening has led to a period of increased global commerce unprecedented in world history. It has created enormous opportunities for our companies and workers, provided a seedbed for democracy abroad and helped further greater stability in a still uncertain world. We should not turn our back on that pattern of leadership, which continues as recently as the completion of the ITA and the telecommunications pact.

There is no substitute for our ability to implement comprehensive trade agreements. The absence of agreed procedural authority to do so is the single most important factor limiting our capacity at this time to open markets and expand American exports and trade opportunities in the new global economy. Such authority is a prerequisite to U.S. negotiating credibility and success on major trade fronts.

Fast Track and NAFTA in Context

Mr. Chairman, let me spend a moment discussing NAFTA because I think it is very important to put it in the right context as we move forward.

There is no question that many important issues characterize our relationship with Mexico: trade, drugs, immigration, worker welfare and the environment, to name a few. Those issues existed before we negotiated NAFTA and they will exist in the future. Mexico is a developing country with which we share a huge border. It is inescapable that issues of this type will be part of our bilateral agenda for some time. NAFTA is not -- and cannot be -- the full, long-term solution to problems we may encounter, but by keeping Mexico on the path to prosperity through market reforms, it can be a part of the solution.

Mr. Chairman, the fast track debate is and should be about our ability to conduct a global trade policy -- and to advance our global trade interests. Many of the issues in the Mexico debate relate to our shared and unique border. They do not address the need to seize the trillions of dollars in global infrastructure opportunities in Asia to be created in the next decade. They do not give us the tools to continue cutting European agricultural subsidies. They do not help us respond to preferential trading relationships, or exclusionary practices that limit the United States. We must focus on the challenges of tomorrow.

Our competitors would like nothing better than for us to sideline ourselves, debating NAFTA and our relationship with Mexico for several more years while they move ahead. It would be a serious, self-inflicted wound. America is poised to seize great opportunities. Our competitors cannot beat us; we can only lose by removing ourselves.

Labor and Environment

Similarly, we can no longer allow our disagreements over the relationship between trade, labor standards and environmental protection prevents us from granting the President fast track authority. We simply have to forge a consensus on this subject which eluded us in 1994 and 1995. I have been consulting broadly with members of Congress, business, labor and environmental groups, and will continue to do so. I do not intend to put forward a specific formulation today, but wanted to share several thoughts in this area.

It is important to recognize that a commitment to protection of core labor standards and their relationship to trade, is not new, nor is it unique to the United States. The international commitment to address this issue goes back as far as the Havana Charter, which was the effort to establish the International Trade Organization after World War II. We were gratified that at the WTO Ministerial in Singapore, the trading nations of the world acknowledged, for the first time in a Ministerial declaration, the importance of core labor standards to trade, although we fought for stronger steps. Advancing worker rights and labor standards is in our national interest and it is consistent with our deepest national values.

Making environmental and trade policy mutually supportive, although a somewhat newer public policy phenomenon on a global scale, similarly enjoys strong support in our country, and internationally. The 1992 Rio Sustainable Development Summit, the 1994 Summit of the Americas, and ongoing work in the WTO all reflect an international commitment to the importance of making these policy areas mutually supportive.

In my view, the challenge is how to maximize progress in three areas which are of major importance to us: expanded market access, advancing worker rights and core labor standards, and promoting environmental protection and sustainable development. We are committed to a strong strategy of pursuing our goals, and maintaining flexibility rather than pretending that one prescription would fit all countries or all cases. Based on my experience over these past four years, I think there is no substitute for building a consensus at home behind a strategy to advance our objectives on core labor standards and environmental protection. I am also certain that we will not convince other nations to improve their labor standards or environmental protection by denying the President the ability to negotiate trade agreements with them. We will, however, cripple our own export performance and lose jobs at home.

Conclusion

President Kennedy once described himself as “an idealist without illusions.” I think that description captures well President Clinton’s approach to trade. He, and those who work for him, genuinely believe that expanded reciprocal trade can contribute to our prosperity, economic security, and to those around the world, particularly in the developing world where poverty is still widespread. But we have no illusions about the challenges ahead. Every trade barrier facing us is there for a reason:

economic, political, bureaucratic, cultural. Some only want to export and not import. The competition around the world will continue to be intense. We have reasons to be confident, but only if we forge a domestic consensus that allows us to move ahead. We need to get down to business. The hard work of the past four years gives us only the opportunity to do the hard work of the next four.